
NCDA&CS

Internal Audit Division



Internal Audit Charter

Introduction:

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the North Carolina Department of Agriculture and Consumer Services (NCDA&CS). It assists the Department in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

Assurance and Consulting Service Definitions:

Assurance Services

An objective examination of evidence for providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, operational, compliance, system security, and due diligence engagements.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Purpose and Mission:

The purpose of the Internal Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve North Carolina Department of Agriculture and Consumer Services' operations. The mission of the Internal Audit Division is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Division helps the NCDA&CS accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

In addition, the Internal Audit Division serves as a resource to the North Carolina Tobacco Trust Fund Commission (NCTTFC) which is administratively housed within NCDA&CS, but reports to the Tobacco Trust Fund Commission Board. The NCTTFC was created to assist current/former tobacco farmers, former quota holders, persons engaged in tobacco-related businesses, individuals displaced from tobacco-related employment, and tobacco product component businesses in NC that have been affected by the adverse effects of the master settlement agreement with four of the nation's largest cigarette manufacturers. All services provided to NCDA&CS entities that report up to the Agriculture Commissioner as described in this charter are also available to the NCTTFC.

The Internal Audit Division is established by General Statute Chapter 143, Article 79. The Internal Audit Division's responsibilities are defined by these laws. The Council of Internal Auditing has authority to set policy related to the Internal Audit Division.

Standards for the Professional Practice of Internal Auditing:

The Internal Audit Division will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Internal Audit Director will report periodically to senior management and the Board of Agriculture regarding the Internal Audit Division's conformance to the Code of Ethics and the Standards.

The Internal Audit Division will also adhere to the requirements within General Statute Chapter 143, Article 79, the Institute of Internal Auditors' Implementation Guidance, and Supplemental Guidance as applicable to guide operations.

Lastly, the internal audit activity will adhere to the North Carolina Department of Agriculture and Consumer Services' relevant policies and procedures and the Internal Audit Division's internal policies and procedures manual.

Authority:

The Internal Audit Division, with strict accountability for confidentiality and safeguarding records and information, is authorized ready, full, free, and unrestricted access to all the North Carolina Department of Agriculture and Consumer Services' and North Carolina Tobacco Trust Fund Commission's functions, records, property, and personnel pertinent to carrying out any engagement.

The Internal Audit Division will allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.

The Internal Audit Division will obtain assistance from the necessary personnel of the NCDA&CS or the NCTTFC, as well as other specialized services from within or outside NCDA&CS, to complete the engagement.

The Internal Audit Director will report functionally and administratively to the Chief Deputy Commissioner.

NCDA&CS senior management will

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Internal Audit Director on the Internal Audit Division's performance relative to its plan and other matters.

- Make appropriate inquiries of management and the Internal Audit Director to determine whether there is inappropriate scope or resource limitations.

The Internal Audit Director will communicate and interact directly with NCDA&CS senior management as appropriate.

Independence and Objectivity:

The Internal Audit Director will ensure that the Internal Audit Division remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Internal Audit Director determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the NCDA&CS or its affiliates.
- Initiating or approving transactions external to the Internal Audit Division.
- Directing the activities of any NCDA&CS or NCTTFC employee not employed by the Internal Audit Division, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Internal Audit Director has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Director will confirm to senior management and the Board of Agriculture at least annually, the organizational independence of the Internal Audit Division.

The Internal Audit Director will disclose to senior management any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities:

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to senior management on the adequacy and effectiveness of governance, risk management, and control processes for the NCDA&CS and the NCTTFC. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the NCDA&CS's and the NCTTFC's strategic objectives are appropriately identified and managed.
- The actions of NCDA&CS's and NCTTFC's management, employees, and contractors are in compliance with the NCDA&CS's and the NCTTFC's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the NCDA&CS and the NCTTFC.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Internal Audit Director will report periodically to senior management and the Board of Agriculture regarding:

- The Internal Audit Division's purpose, authority, and responsibility.

- The Internal Audit Division's plan and performance relative to its plan.
- The Internal Audit Division's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the NCDA&CS.

The Internal Audit Director also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Division may perform advisory and related client service activities, the nature and scope of which will be agreed upon with the client, provided the Internal Audit Division does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility:

The Internal Audit Director has the responsibility to:

- Submit, at least annually, to senior management a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Board of Agriculture the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the NCDA&CS's and the NCTTFC's business, risks, operations, programs, systems, and controls.
- Communicate to senior management any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.

- Follow up on high-risk engagement observations and corrective actions, and report periodically to senior management and the Board of Agriculture any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Division collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the NCDA&CS and the NCTTFC are considered and communicated to senior management as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Division.
- Ensure adherence to the NCDA&CS's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management.
- Ensure conformance of the Internal Audit Division with the Standards, with the following qualifications:
 - If the Internal Audit Division is prohibited by law or regulation from conformance with certain parts of the Standards, the Internal Audit Director will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Internal Audit Director will ensure that the Internal Audit Division conforms with the Standards, even if the Internal Audit Division also conforms with the more restrictive requirements of other authoritative bodies.

Quality Assurance and Improvement Program:

The Internal Audit Division will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Division. The program will include an evaluation of the Internal Audit Division's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program also assesses the efficiency and effectiveness of the Internal Audit Division and identifies opportunities for improvement.

The Internal Audit Director will communicate to senior management and the Board of Agriculture on the Internal Audit Division's quality assurance and improvement program, including results of internal (both ongoing and periodic) assessments and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the NCDA&CS.

Steven W. Ingh
Commissioner

4-23-2018
Approval Date

Zane Hedgecock
Chief of Staff

4-23-18
Approval Date

W. Smith
Chief Deputy Commissioner- Administration

4-12-2018
Approval Date

Joseph W. Reardon
Assistant Commissioner- Consumer Protection

4-23-2018
Approval Date

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6/6/18
Approval Date

Scott Bisette
Assistant Commissioner- NC Forest Service

4-23-2018
Approval Date

VBZ
Executive Director of the NC Tobacco Trust Fund

5-15-18
Approval Date

Derek Alled
Internal Audit Director

6/6/18
Approval Date